**Ch. 1 – Starting a Propritorship Guided Notes**

**Accounting**

**Accounting System**

**Accounting Records**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** is the language of Business.

\*By understanding accounting information, business owners and their employees can \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ poor business decisions, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ opportunities for them to grow their business.

Business owners must also find ways to keep spending within their available income. Some factors include:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ &\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.1 - The Accounting Equation**

**Service Business**

**Proprietorship**

**Asset**

**Equities**

**Liability**

**Owner’s Equity**

**Accounting Equation**

For the accounting system and records in a proprietorship to be correct, Ms. Trevino must record her data in specific way in order to keep the business \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ from her personal life.

Examples include: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**The Accounting Equation**

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**1.2 - Changing the Equation**

Transaction

Account

Account Title

Account Balance

Capital

Use a blank sheet of paper to work on the 5 separate transactions in 1.2 to see how the accounting equation is affected.

Transaction 1 – Received Cash from Owner as an Investment

Transaction 2 – Paid Cash for Supplies

Transaction 3 – Paid Cash for Insurance

Transaction 4 – Bought Supplies on Account

Transaction 5 – Paid Cash on Account

**1.3 - Reporting Financial Information**

Balance Sheet -

**Steps in Preparing a Balance Sheet**

1.

2.

3.

4.

5.

6.

7.

8.